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June 15, 2023

REVISED 6-15-2023

The Honorable David Alvarez
Chair, Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95814

RE: State Audit Request of the Local Streets and Roads Program

Dear Chair Alvarez,

We the undersigned Members respectfully request that the Joint Legislative Audit Committee approve a state audit to examine the accountability and transparency of revenues apportioned by the State Controller to the California's Local Streets and Roads Program (LSRP), with a focus on governance and fiscal oversight.

Background:

The importance of the local transportation system cannot be overstated. Every component of California's transportation infrastructure is critical to providing a seamless, interconnected system that supports the traveling public and economic vitality throughout the state. Building sustainable communities relies on well-maintained streets and roads that provide access for transit and active modes of transportation.

In 2017, SB 1 (Beall) was enacted and now provides over \$5 billion annually for transportation infrastructure repairs, maintenance, and construction. Funding is derived from increases in gas and diesel excise taxes, vehicle registration taxes, and zero-emission vehicle registrations, as established in SB 1. Of this, approximately \$1.5 billion is allocated to the Local Street and Road system owned and maintained by 539 cities and counties. The program, the Local Streets and Roads Program (LSRP), is apportioned by the State Controller (Controller) to cities and counties for basic road maintenance, rehabilitation, and critical safety projects on the local streets and roads system.

To be eligible to receive LSRP funding from the Controller, each year, cities and counties must submit a proposed project list adopted at a regular meeting by their board or council that is then submitted to the California Transportation Commission (Commission). Once reviewed and adopted by the Commission, the list of eligible cities and counties to receive funding is sent to the Controller to begin the apportionment process for that fiscal year. Importantly, unlike other programs it oversees, the Commission does not allocate LSRP funds and does not have policies that limit scope, schedule, or budget changes. This is intended to prioritize local flexibility.

In order to receive funds, cities and counties must meet a “maintenance of effort” (MOE) requirement to ensure that these new roads funds do not supplant existing levels of general revenue spending on streets and roads. Cities and counties are required to spend at least the annual average of its general fund expenditures during the 2009-10, 2010-11, and 2011-12 fiscal years for street, road, and highway purposes from the city’s or county’s general fund. Monitoring and enforcement of the maintenance of effort requirement is carried out by the State Controller.

In an effort to promote accountability and transparency in accordance with SB 1, the proposed project lists submitted by the cities and counties for funding eligibility are published online. Additionally, cities and counties must provide an Annual Project Expenditure Report to the Commission for each year in which program funding was received and expended.

During the first year in which the Local Streets and Roads Funding Program received new SB 1 revenue, 537 cities and counties received eligibility to receive their share of roughly \$386 million to be distributed by formula and disbursed by the Controller on a monthly basis. Roughly 4,096 local streets and roads projects were proposed that ranged from road maintenance and repair, to pre-construction efforts, and additional public works operational needs.

Request and Proposed Scope of Audit

The proposed audit would help legislators gain a deeper understanding of the effectiveness of the LSRP and how the state could better apportion funds to support the state’s local transportation system and infrastructure. This also provides the rationale for investment of public funds, potentially saving taxpayers from paying significantly more to fix local streets and roads into the future. It is also important for legislators to understand if MOE requirements are being practiced by local jurisdictions, and appropriately enforced by the State Controller.

I propose that the State Auditor evaluate the LSRP apportioned to 6 cities across the state, 2 large cities with a population of over 100,000, two medium cities with a population of under 100,000 and over 50,000, and two small cities with a population of under 50,000. Additionally, I also propose that the State Auditor evaluate state agencies responsible for regulatory oversight of LSRP. Specifically, the audit should include, but not be limited to, the following inquiries and analyses:

1. Local agencies

- a. What is the impact of the additional funding available from the Road Repair and Accountability Act of 2017 (SB 1) on the condition of local streets and roads, bridges, and essential components?
- b. How do local agencies prioritize projects for LSRP funds, and prioritize these funds through an equity lens?

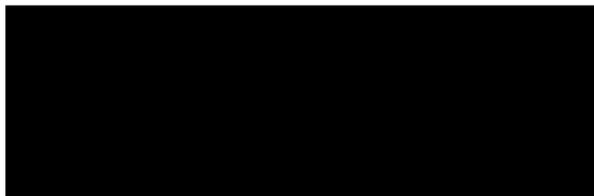
- c. What type of projects are the most and least common usages for the LSRP monies?
- d. Is SB 1 fulfilling its intended goal and purpose of stabilizing the deterioration of local street and road infrastructure?
- e. Are cities delivering on their application reports?

2. State agency enforcement and oversight

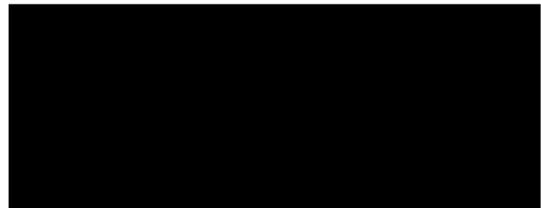
- a. What is the process for project approval? Are cities and counties throughout the state equitably receiving LSRP funds? Does every project application submitted receive funds?
- b. Is there a cap of LSRP funds?
- c. What enforcement capabilities does the State Controller have?
- d. Is the State Controller monitoring and auditing local jurisdictions appropriately to ensure MOE requirements are being adhered to? What actions can the State Controller take for cities and counties who are not complying with MOE requirements?
- e. What flexibilities were given to cities and counties during the pandemic? Are these flexibilities still in effect?
- f. Is the application process thorough enough to ensure transparency and accountability? Should the application require additional information?
- g. Is there anything else the legislature can do to improve transparency and accountability of the program?

Thank you for your consideration of this audit request. If you have any questions, please do not hesitate to contact me or my staff.

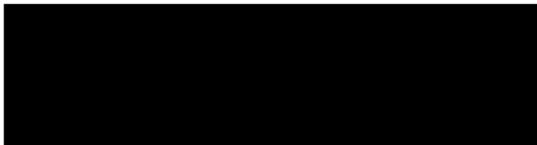
Sincerely,



Timothy S. Grayson
Assemblymember, 15th District



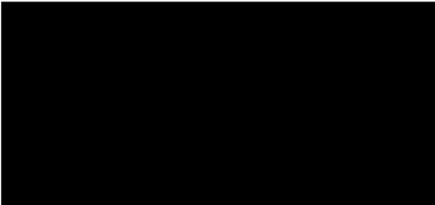
Wendy Carrillo
Assemblymember, 52nd District



Laura Friedman
Assemblymember, 44th District



Chris Holden
Assemblymember, 41st District



Josh Hoover
Assemblymember, 7th District



Evan Low
Assemblymember, 26th District



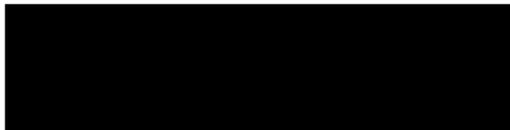
Blanca Pacheco
Assemblymember, 64th District



Gail Pellerin
Assemblymember, 28th District



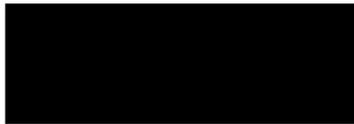
Sharon Quirk-Silva
Assemblymember, 67th District



Blanca E. Rubio
Assemblymember, 48th District



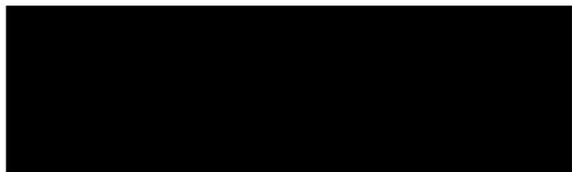
Freddie Rodriguez
Assemblymember, 53rd District



Pilar Schiavo
Assemblymember, 40th District



Avelino Valencia
Assemblymember, 68th District



Marie Waldron
Assemblymember, 75th District



Lori D. Wilson
Assemblymember, 11th District